

New Confidential Economic Bulletin

Private Sector Organisation of Jamaica

Monthly Analysis of the Jamaican Economy

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Overview

The year 2000 has dawned and thanks to the hard work of computer programmers and technicians, and the large sums of money spent by companies, governments and individuals, the Y2k bug has not yet had the negative impact that was widely

f feared. So far we have gotten off very lightly here in Jamaica, so much so that some people are now saying that the whole concept of a Y2k bug was a hoax! Of course nothing could be further from the truth and I think it would be more appropriate to congratulate all those who worked so long and hard to endure that our worst fears about the Y2k bug would not be realised.

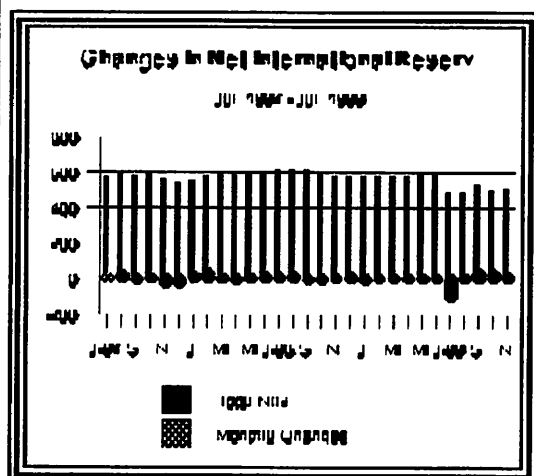
The good news of our handling of the Y2k problem was tempered by the rise in interest rates that took place in December. The 6-month T-Bill rate went from 19.6% in November to 22.03% at the beginning of January 2000. Longer-term interest rates also went up with the government offering a 12-month debenture at 24.5% in early January, up from a rate of 21.14% in November 1999. Interest rates are now some 6 to 8 percentage points above the government's target for September 1999 and

some 8 to 10 points above the March 2000 target. The higher rates will place an additional burden on public sector finances, especially in light of the additional borrowing on the local market which the government has had to undertake as a result of its inability to meet its foreign borrowing target. These increased costs will make it extremely difficult to meet the target of 4.6% of GDP for the fiscal deficit this year and will probably increase the size of the deficit next year as well.

The private sector will have to face another year of very high lending rates and reduced access to credit. Between January and September 1999, the stock of credit to the public sector has risen by 8.1% to J\$96.14bn while the stock of credit to the private sector has fallen by 18.8% to J\$27.7bn. At present, there is very little to suggest that this trend will not continue in the year 2000.

Net International Reserves

The provisional stock of the Net International Reserves (NIR) held at the BCOJ at the end of November 1999 was US\$506.73Mn and is estimated to cover 11.8 weeks of imports. A US\$13.91Mn increase in foreign assets led to this positive change over the previous month.



The reserves were boosted by a US\$70Mn loan which was raised through a consortium of local banks.

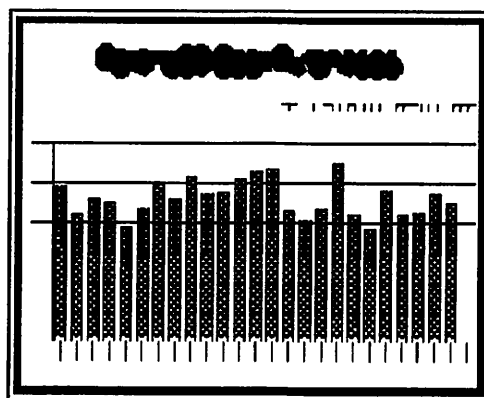
Over the 12 months ended November 1999, the NIR fell by US\$69.57Mn and by US\$71.27Mn since January 1999. Preliminary data from the BCOJ suggests that the NIR fell by a further US\$40Mn in December 1999.

Foreign Exchange

Provisional figures provided by the BCOJ, shows the total stock of foreign currency deposits to be US\$1014.73Mn at the end of September 1999. That is a US\$18.61Mn decrease over the previous month.

Since the start of the year, there has been an increase of US\$37.43Mn in contrast to a US\$63Mn decrease in the same period in 1998.

The point to point or 12 month movement in

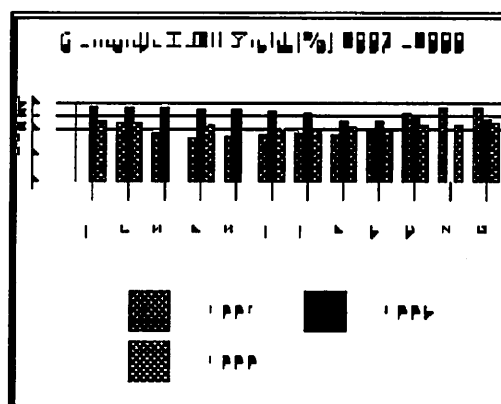


the foreign currency deposits for September 1999 was an increase of US\$126.73Mn compared with

a US\$40.8Mn increase over the corresponding period in 1998.

Exchange Rates

From the period December 2 to December 30, 1999, the Jamaican dollar has reduced in value by



J\$0.59 and J\$1.84 against the US dollar and pound sterling respectively. There was an increase in value of J\$0.09 against the Canadian dollar.

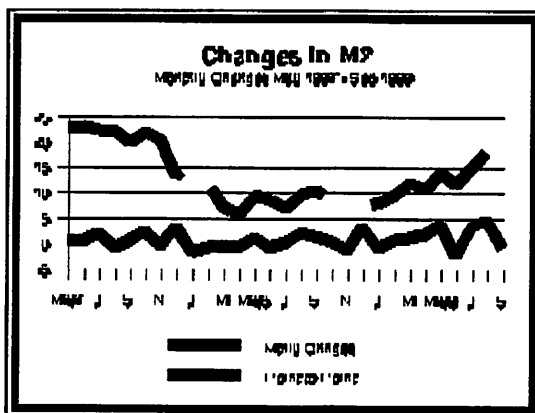
Since the beginning of the year to December 30, 1999, the Jamaican currency experienced a nominal decline in value of J\$3.70 against the US dollar.

As at January 5, 2000, the weighted average selling rates of the local currency vis-a-vis

its major trading partners are:

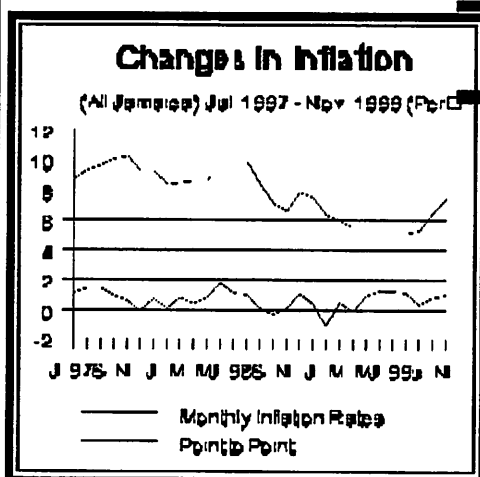
J\$41.46 to 1 US\$
J\$27.82 to 1 CDN\$
J\$66.87 to 1 pound sterling

This represents a further



This government investment debenture matures in 12 months time, ie January 2001.

Inflation



slide in the value from the weighted average selling rates as at December 30, 1999 of:

J\$41.42 to 1 US\$
J\$27.80 to 1 CDN\$
J\$65.80 to 1 pound sterling

In the last couple of weeks, the pressure on the local currency has eased somewhat and the BOJ has reduced the level of its intervention in the market.

Interest Rates

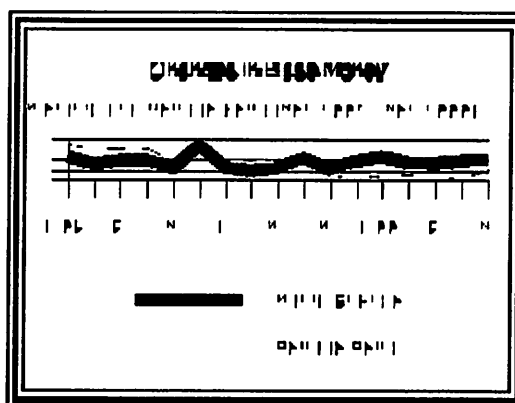
The 30 days reverse repurchase (repo) rate remained at 18.35% for December 1999. There was an issue of Treasury Bills dated Tuesday, December 28, 1999. To mature on Wednesday June 28, 2000 (183 days). The J\$650Mn offer was oversubscribed by J\$962.5Mn and yielded on average 22.03%. This offer takes the total nominal amount of Treasury Bills outstanding to J\$10.65Bn.

The average yield represents an increase of 1.6% over the 183 day issue on December 1, 1999 which yielded 20.61%.

The subscription period opens on Tuesday January 4, 2000 and closes Friday, January 7, 2000 for debenture 2000/2001- series 'L'. The offer is unlimited and interest is at a fixed rate of 24.50% per annum.

The All Jamaican 'All Group' Consumer Price Index (C.P.I.) for November 1999 was 1259.9 as provided by the statistical Institute of Jamaica. This represents a 1% increase over the figure recorded for the previous month. Since the beginning of 1999, the index has risen by 6.3%, relative to an increase of 6% for the corresponding period in 1998.

The 12 month movement in the rate of inflation up to the end of November 1999 was 7.4% and 6.6% for the 12 months ended November 1998. It appears likely



that the government's target of 4-6% will be exceeded.

Base Money

Provisional figures provided by the BOJ revealed an increase of 0.6% in the base money at the end of November 1999. This leaves the total nominal stock to J\$32,061.56.

Since the start of 1999, the monetary base or base money contracted by 7.3%. For the same period in 1998 there was decrease of 1.4%.

The point to point or 12 month movement in base money for the month to November 1999 was a negative change of 4.4% while there was a reduction of 0.6% in the 12 months to November 1998.

Money Supply

Money supply as (measured by M2), as indicated by provisional data provided by the BOJ, had a nominal decrease of 0.68% over the previous month to September 1999.

Since the beginning of the year, M2 increased by 13.9% compared to a 6.35% increase in the same period for 1998.

The 12 month or point to point movement in M2 at the end of September 1999 was 15.55% ,

compared to a 10.6% growth rate for the corresponding period ended September 1998.

Production of Selected Commodities

Energy: Net generation of power, as supplied by the Jamaica Public Service Company Limited (JPSCo) was 260,881,358 KWh for the month of December 1999.

Total private purchases amounted to 81,897,764 KWh. The largest component of private power came from WARTSILA (J.E.P.).

Agriculture/Manufacturing:

Cement Production: Total cement production for the month of November 1999 was 47,878 tonnes, representing an increase of 26,106 tonnes over the previous month's level of 21,772 tonnes (ie. 119% increase over October).

The year to date cement production is now at 450,233 tonnes.

There was an increase of 9562 tonnes in domestic sales, taking the figure for November 1999 to 56,265 tonnes.

Bananas: Banana production as at the end of October 1999 was 4600 tonnes, a fall from September's production of 5200 tonnes but still more than August

and July of 1999. There was however a reduction of 4.17% from the production level at the end of October 1998.

Sugar: The production records of the BOJ show no sugar production for the months August 1999 to October 1999. The figures also reported no sugar production for September and October 1998.

Mining: The total alumina production for the month of October 1999 was 304,228 metric tons, taking total year to date production to 2,960,226 metric tons. This is an improvement of 3.46% over the year to date figure of 2,861,345 metric tons for the corresponding period in 1998.

Total Crude Bauxite production was 162,516 metric tons for the month October 1999 representing less than half the production for October 1998. The year to date production of crude bauxite is 2,537,615 metric tons for the period ended October 1999, 25.37% less than the year to date production for the corresponding period in 1998.

Alumina exports for October 1999 were 282,122 metric tons. This figure represents a reduction of 11.57% over the production for October 1998. The year to date figure of 2,929,322 metric tons reflects an improvement of 0.58% over the corresponding period in 1998.

Crude Bauxite exports for the month of October 1999 was 161,311, taking the year to date

exports to 2,550,160 metric tons (24.2% less than the year to date exports for the period ended October 1998.

Tourism

Total visitor arrivals for November 1999 were 168,992, an increase of 23.48% over the previous month. The total stopover arrivals for the month increased by 9% to 95,278. Of the total arrivals for the month, cruise passenger arrivals were 73,714, a 38.53% increase over the previous month.

The total number of calls for November 1999 amounted to 45. Of this number, 17 calls were to Montego Bay, 27 to Ocho Rios and 1 with 557 to Port Antonio.

Total stopover arrivals from

in November 1998. There was a reduction in stopover arrivals from all other regions except the Caribbean, which was up by only 2%.

External Trade

Exports: The total nominal value of general merchandise exported for the review period January to September 1999 was US \$927.85Mn compared with US\$1022.59Mn for the corresponding period in 1998.

During the review period, domestic exports were valued at US \$899.39Mn. For the same period in 1998, the figures were US\$986.41Mn. Traditional domestic exports yielded a total of US\$645.82Mn, declining by 6% from US\$680.68Mn in the corresponding period in 1998.

Major traditional exports declined by 6.4% to US\$596.75Mn and other traditional exports appreciated by 13.5% to US\$49.06Mn. All

major traditional export yield declined. The BCI's external trade data continue to show a decline in the earnings from cocoa while other items classified as other traditional

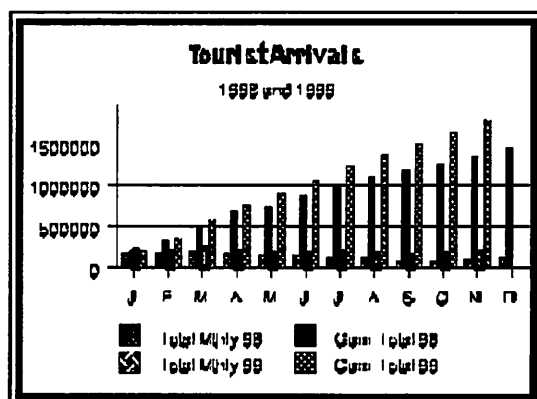
exports increases.

There has been a decline of 21.3% in yield from re-exports and the same change applies to freezone exports.

Imports: Total nominal value of general merchandise imports for January to September 1999 was US\$2061.36Mn, a decline from the same period in 1998.

The value of 'Consumer Goods' was US\$662.76Mn, falling by 1% when compared to 1998. The reduction is brought about by a relatively significant fall in durables of 5.6%.

'Raw Materials' imported reduced by 8.1% in value. While fuel increased by 4.5%, other raw materials decreased.



January to November 1999 and 1,142,050, 3.1% more than the corresponding period in 1998. For the month of November 1999, the stopover arrivals from the USA, increased by 8.9% over the arrivals

External Sector US\$Mn		
	Jan Sept '98	Jan Sept '99
Total Exports (F.O.B.)	1247.1	1111.28
Major Traditional Exports	637.44	596.75
Bauxite	61.53	47.77
Alumina	451.5	438.1
Sugar	94.6	87.35
Rumunus	26.76	23.5
Other Trad. Exports	43.24	49.1
Non-Trad. Exports	305.73	253.57
Re-Exports	36.17	28.46
Total Imports (CIF)	2326.32	2190.36
Consumer Gds.	669.56	662.75
Raw Materials	1142.52	1050.2
Capital Gds.	364.35	338.58
Trade Balance	-1079.24	-1079.08

Balance of Payments

Merchandise Trade: For the January to September 1999, the merchandise trade deficit was US\$758.4Mn, a US\$26.2Mn decrease over January to September 1998. Exports and imports decreased by US\$135.8Mn and US\$109.6Mn respectively.

Services: The services balance for the period under discussion reported a surplus of US\$423Mn, increasing US\$29.6Mn over the corresponding period in 1998. There were positive changes on both the Transportation and Travel

balances.

Income: Income account for January to September 1999, increased from a deficit of US\$228.2Mn in 1998 to US\$193.5Mn in 1999. This was brought about by an increase of US\$40.9Mn in net investment income.

Net Current Transfers: Net receipts from current transfers increased by US\$12.9Mn, from US\$475.4Mn in January to September 1998 to US\$488.3Mn in January to September 1999. The increase was due to a US\$13.2Mn increase in private sector net receipts.

Capital and Financial Account:

For the period, the financial account recorded US\$31.1Mn for January to September 1999, a reduction of US\$49.9Mn from the US\$81Mn recorded for the same period in 1998. The net official debt payments increased by US\$230.7Mn from US\$35.9 in 1998. Reserves have fallen by US\$55.7Mn compared with a US\$76.4Mn increase for the corresponding period in 1998.

<u>Balance of Payments</u>	Jan-Sept '98	Jan-Sept '99	Change
Goods balance	-732.2	-758.4	51
Export (506)	1247.1	1111.3	-135.8
Imports (11)	1979.3	1869.7	-109.6
Services - Net	393.4	423	29.6
Transportation	-191.2	-163	28.2
Foreign Travel	747.7	758.6	10.9
Other Services	-163.1	-172.6	-9.5
Income	-228.2	-193.5	34.7
Compensation of employees	40.1	33.9	-6.2
Investment Income	-268.3	-227.4	40.9
Current Transfers (Net)	475.4	488.3	12.9
Official	34.4	34.1	-0.3
Private	441.0	454.2	13.2
Current Account	-91.6	-40.6	51.0
Net Capital Movements	10.6	9.5	-1.1
Official	2.6	3.3	0.7
Private	8.0	6.2	-1.8
Financial A/c	81.0	31.1	-49.9
Other Official Investment	-35.9	-266.6	-230.7
Other Private Investment	193.3	242.0	48.7
Changes in Reserves	-76.4	55.7	

MACRO-ECONOMIC INDICATORS

(July 1997 - Nov 1999)

MONTH	BASE MONEY		NIR	FOREX ACCTS.	INFLATION		TOURIST ARRIVALS			CHANGES IN M2	
	Mthly chng	Point to Point	Total NIR	Total Balances	Mthly Chng	Point to Point	Total Visitors	Stop-overs	Cruise	Money Supply	Point to Point
July.97	0.8	20.48	569.4	838.28	1.1	8.7	166026	118948	47078	2.1	22.37
Aug.	0	15.23	589.7	852.1	1.4	9.3	153870	109221	44649	-0.6	22.16
Sept.	-0.4	19.98	585.5	847.2	1.4	9.6	102095	71577	30518	0.6	22.16
Oct.	0.35	16.01	592.02	939.98	0.9	10.05	127187	78730	48457	2.5	19.98
Nov	1.71	16.97	563.22	943.56	0.6	10.22	152513	89888	62625	-0.28	20.5
Dec.	7.73	14.5	540.5	1001.28	-0.1	9.2	202926	118262	84664	3.4	13.45
Jan.	4.9	11.6	553.2	950.95	0.7	9.28	166934	98517	68417	-1.5	16.7
Feb.	0.9	12.1	588.4	947.28	0.1	8.36	166003	99280	66723	-0.6	11.9
Mar.	-1.5	9.4	595.1	939.43	0.8	8.45	187021	112474	74547	-0.7	7.2
Apr.	0.1	9.5	589.9	945.54	0.4	8.59	175543	109941	65602	-0.7	8.6
May	0.1	7.1	596.5	924.29	0.8	8.6	140030	97063	42967	1.2	9.5
June	0.2	6.2	605.87	920.73	1.8	10.1	149898	107307	42591	-0.7	8.9
July.98	1.5	7.1	611.89	913.73	1.1	10.2	173621	120426	53195	0.2	6.9
Aug.	-1.96	5.02	619.21	973.89	1	9.84	154934	109927	45007	2.1	9.8
Sept.	0.2	5.7	616.94	888	0.1	8.42	114536	75531	39025	1.4	10.6
Oct.	0.14	5.6	605.61	928.82	-0.3	7.14	119388	82254	37134	0.45	8.5
Nov	-4.38	-0.62	576.27	912.52	0.1	6.6	146462	94469	51993	-1.35	7.29
Dec.	7.06	-0.8	581.96	905.07	1.05	7.86	201256	118098	83158	3.44	7.35
Jan.	-3.69	0	578	921.11	0.4	7.5	183049	96959	86090	-0.68	8.21
Feb.	-5.18	-6.19	578.53	929.03	-1.1	6.3	179193	102545	76648	0.79	9.85
Mar.	-3.66	-2.8	581.53	960.31	0.5	5.4	220295	131503	88792	1.2	11.96
Apr	0.8	-3.04	587.41	979.26	-0.1	5.49	175389	106611	68778	2.0	11.0
May	-4.2	-7.8	590.5	965.84	0.9	5.61	139367	100066	39301	3.93	14.21
June	-0.1	-8.5	590.57	956.82	1.3	5.04	158466	110425	48041	2.14	11.75
July	1.73	8.24	486.98	1032.64	1.2	5.09	172289	125343	46946	3.56	15.54
Aug 99	-0.7	-7.07	490.76	1033.34	1.1	5.09	158800	113695	45105	4.71	18.5
Sept	-1.6	-8.74	526.24	1014.73	0.3	5.3	124446	75987	48459	-0.68	15.55
Oct	0.37	-9.2	492.82	n/a	0.8	6.43	136848	83638	53210	n/a	n/a
Nov	0.6	-4.456	506.73	n/a	1	7.4	168992	95278	73714	n/a	n/a

n/a - Not Available

Source: Compiled from National Statistics as Supplied by Bank of Jamaica, Planning Institute of Jamaica and Jamaica Tourist Board.

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